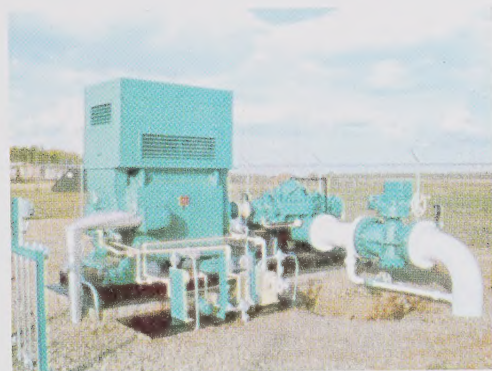


SEVENTH
ANNUAL
REPORT

1 9 6 1



PEMBINA PIPE LINE LTD.

HIGHLIGHTS OF 1961

(WITH COMPARISON FOR PREVIOUS YEARS)

	1961	1960	1959	1958	1957	1956	1955
Net income for the year	\$1,451,529	\$1,324,154	\$1,187,348	\$1,002,197	\$1,095,079	\$1,102,429	\$416,628
Earnings per com- mon share	85¢	77¢	68¢	56½¢	62¢	63¢†	20¢†
Average deliveries in barrels of oil per day	121,550	110,400	103,400	94,000	106,000	88,000	38,000
Wells							
— added in the year	252	490	425	612	526	857	685
— in total	3,889*	3,640	3,150	2,725	2,113	1,587	730
Miles of pipeline							
— in the year	57	56	85	49	148	153	152
— in total	763	706	650	565	543	395	242
Batteries connected							
— in the year	39	65	54	71	114	132	95
— in total	573	534	469	415	344	230	98
Batteries automated							
— in the year	29	57	47	19	1	—	—
— in total	153	124	67	20	1	—	—

† 1955 and 1956 adjusted for subdivision of stock effective March 18, 1957 on a 4 for 1 basis.

* Includes 829 water injection wells and 28 gas injection wells drilled or converted from oil wells as part of the producers' programme of pressure maintenance in the Pembina Field. Production allowables for the injection wells are transferred to other oil wells.

*Pictured on the cover from left to right —
A "gate plant" at the crossing of the North
Saskatchewan River — A view of the main pump
station which is soon to be operated by remote
control from the Edmonton terminal — The new
Calmar booster station pump unit.*

Seventh Annual Report 1961

PEMBINA PIPE LINE LTD.

HEAD OFFICE:
805 - 8th AVENUE S.W.,
CALGARY, ALBERTA

FIELD OFFICE:
P.O. BOX 330,
DRAYTON VALLEY, ALBERTA

Directors

A. D. ARMOUR *Toronto, Ontario*
D. K. BALDWIN *Montreal, Quebec*
E. CONNELLY *Calgary, Alberta*
E. W. COSTELLO *Calgary, Alberta*
J. P. GALLAGHER *Calgary, Alberta*
F. C. MANNIX *Calgary, Alberta*
C. J. OATES *Calgary, Alberta*

Officers

F. C. MANNIX *Chairman of the Board*
E. CONNELLY *President and Treasurer*
E. W. COSTELLO *Vice-President and
General Counsel*
J. P. GALLAGHER *Vice-President*
H. BOOTH *General Manager and Controller*
K. L. PERRY *Secretary*

BANKERS *The Royal Bank of Canada
Calgary, Alberta*
TRANSFER AGENTS *The Montreal Trust Company
Calgary, Alberta*
SOLICITORS *Chambers, Migh, Saucier, Peacock,
Jones, Black & Gain
Calgary, Alberta*
AUDITORS *Peat, Marwick, Mitchell & Co.
Calgary, Alberta*

Report of the Directors to the Shareholders

This report covers the seventh year of operations of Pembina Pipe Line Ltd.

*Alberta
production
and Pembina's
throughputs*

During the seventh year of operations the Pembina system transported an average of 121,550 barrels of crude oil per day. This throughput represents an increase of 10% over the 1960 daily average of 110,400 barrels per day and maintained the trend of increasing throughputs existing since 1958. The increases can be attributed mainly to the increase in the average provincial proratable demand to 429,000 barrels per day brought about by the success of the National Oil Policy. The trend of increasing throughputs in the Pembina system established in the past four years will however be interrupted by a reduction in 1962. Because of the introduction on January 1, 1962 of "operating" economic allowables into the provincial proration regulations, fields which have been on production for some time are to receive this lower operating economic allowable per well. While this change affects other oil fields in the Province of Alberta, it significantly affects Pembina because of the high proportion of total field production which is determined by the economic well allowable. As a consequence, it is expected that the throughputs in the Pembina system in 1962 will be reduced to an average of 113,000 barrels per day.

*Earnings
and
financial*

Operations for the year ended November 30, 1961 resulted in gross revenue of \$6,730,857 and net earnings of \$1,451,529. This compares with gross revenue of \$5,974,488 and net earnings of \$1,324,154 for the previous year. During 1961, a subsidiary, Westalta Products Pipe Line Ltd. wrote off deferred expenses of \$400,500; this has been reflected in the accounts of Pembina by writing off the cost of the shares of this subsidiary company by a charge of \$400,500 to retained earnings.

Under the terms of the deeds of trust and mortgage securing the first mortgage bonds and debentures it is necessary that net current assets, including the value of oil in the line, amount to \$500,000 after payment of any dividend to common shareholders. As at November 30, 1961, the shortage of net current assets under this provision was \$849,006.

Because of high interest rates and the possible dilution of common shareholder participation through the issue of new securities with convertible rights, your Company has considered it to be to the long-term advantage of the common shareholders to finance additions to the maximum extent out of earnings. In line with this policy \$1,390,647 was provided from earnings to finance additions made during the year.

*Oil
reserves*

Since the commencement of operations of your Company, it has been the practice to determine the amount of depreciation charged against operations by the "depletion" method. As a consequence it is necessary to review from time to time the remaining recoverable reserves used for calculating the depreciation charges and compare this with up-dated estimates of remaining recoverable oil reserves in the fields served. Our most recent report from J. C. Sproule and Associates, Geological Consultants, dated November 30, 1961 states that as of September 1, 1961 there are approximately 810,000,000 barrels remaining to be produced from proven drilled and proven undrilled lands in the Pembina and Willesden Green fields by

primary and secondary recovery methods. This amount, without regard to any probable additional reserves attributable to new discoveries and extensions of existing areas, closely approximates the reserves used in determining the depreciation charges.

*Extensions
to the
gathering
system*

During the past year 57 miles of gathering lines were added to the system. Significant additions occurred in the Willesden Green field where 15 new batteries were connected. These batteries provide production from 85 additional wells, 23 of which were in the old Alhambra and West Willesden Green fields and the remaining 62 were drilled in the new Willesden Green field which effective May 1, 1961 was combined with the West Willesden Green and Alhambra fields. The pipe line serviced the production from 151 wells in this area at the year end. Development drilling in the Pembina field was concentrated in the southeast and northwest extremities of the field. To provide service for this new production, connections were made to 24 batteries.

*Automation
of
facilities*

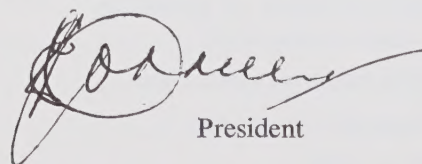
At November 30, 1961, 60% of all field production was being metered into the gathering system by automatic custody transfer. This compares with 47% metered receipts at November 30, 1960. The increase in metered oil resulted from the addition of 29 automatic custody transfer locations during the year, thereby increasing the total of these locations to 153 at the year end. The map on the back pages of this report indicates the areas in the Pembina field which contain these automatic facilities. During the year we proceeded with the automation of the trunk line and at the year end the equipment had been received and was being installed. When completed, the Main Pump Station and the Calmar Booster Station will be remotely controlled from our Edmonton terminal by means of a V.H.F. radio communication system. The installation will be completed early in 1962 and after the necessary adjustments during a run-in period will be on remote control by mid-year.

*Products
Pipe
Line*

As stated in the Interim Report to the Shareholders of July 1961, your Company's subsidiaries, Westalta Products Pipe Line Ltd. and Foothills Pipe Lines Ltd. did not receive the permits required to construct the pipe line necessary to transport the natural gas liquids which they had proposed. Your Company nevertheless is continuing in its efforts to participate in the growth of the pipe line industry. In this regard your Company has joined with Economic Consultant, Dr. Hu Harries, and Canadian Pacific Oil and Gas Limited in an application for a permit to construct a refined petroleum products pipe line in the Province of Alberta. The application was presented at a hearing before the Alberta Oil and Gas Conservation Board in December and a decision is expected early in the year.

Your directors wish to formally express their appreciation to the employees for their excellent work during the past year which is so necessary for the success of your Company.

By Order of the Board,



President

February 2, 1962
Calgary, Alberta.

Production and Throughputs 1961

(WITH COMPARATIVE FIGURES FOR 1960)

FIELD PRODUCTION

The production from all fields for 1961 amounted to 44,364,000 barrels and the following table indicates the amount received from each field:

	1961	1960
Pembina	42,915,000	38,672,000
Keystone	—	613,000*
Carnwood	—	58,000*
Lobstick	—	203,000*
Willesden Green	1,237,000	754,000
West Willesden Green	70,000**	—
Alhambra	21,000**	—
Bigoray	121,000	—
	<u>44,364,000</u>	<u>40,300,000</u>

* Includes production to March 1, 1960 after which these Fields were amalgamated with the Pembina Field.

** Includes production to May 1, 1961, after which these Fields were amalgamated with the Willesden Green Field.

MAIN LINE THROUGHPUTS

The above noted production was delivered through the trunk line facilities to the following delivery points in Edmonton:

	1961	1960
Interprovincial Pipe Line Company	35,094,000	34,835,000
Trans Mountain Oil Pipe Line Company	4,866,000	1,077,000
Refineries at Edmonton	4,404,000	4,388,000
	<u>44,364,000</u>	<u>40,300,000</u>

Facilities Added in 1961

	PEMBINA	WILLESSEN GREEN	TOTAL
Miles of crude oil gathering lines constructed	29.5	27.5	57
New batteries connected	24	15	39
Batteries automated	28	1	29
New wells	167	85	252

Source and Application of Funds 1961

(WITH COMPARISON FOR PREVIOUS YEARS)

	1961	1960	1959	1958	1957	1956
SOURCE OF FUNDS:						
Net earnings	\$1,451,529	\$ 1,324,154	\$1,187,348	\$1,002,197	\$ 1,095,079	\$ 1,102,429
Depreciation and amortization	1,398,997	1,205,887	1,023,760	922,147	893,056	576,894
Deferred income taxes	101,966	198,735	321,112	355,815	418,222	475,015
Debt discount amortized	32,412	32,350	34,146	34,159	21,293	17,772
Long term debt issued, (Less: Discount on debt and funds remaining with trustee — not withdrawn)	—	—	—	2,284,588	—	3,081,470
Withdrawals from trustee	—	—	740,012	—	1,337,405	—
Other items (net)	80	9,617	(3,097)	3,100	2,658	915
	<u>\$2,984,984</u>	<u>\$ 2,770,743</u>	<u>\$3,303,281</u>	<u>\$4,602,006</u>	<u>\$ 3,767,713</u>	<u>\$ 5,254,495</u>
APPLICATION OF FUNDS:						
Additions to carrier property (net)	\$1,390,647	\$ 1,651,540	\$1,716,802	\$ 723,914	\$ 5,467,758	\$ 6,049,480
Sinking fund requirements	1,149,500	1,117,000	1,107,762	912,500	857,756	282,744
Additional operating oil supply	—	—	—	—	148,417	—
Additional income taxes	—	141,980	—	—	—	—
Investment in wholly owned subsidiaries	—	423,000	100	—	—	—
Advances to wholly owned subsidiaries (net)	(13,833)	(32,120)	69,817	—	—	—
Preferred dividends	86,692	89,393	94,043	100,000	100,000	100,000
	<u>\$2,613,006</u>	<u>\$ 3,390,793</u>	<u>\$2,988,524</u>	<u>\$1,736,414</u>	<u>\$ 6,573,931</u>	<u>\$ 6,432,224</u>
Increase (Decrease) in Working Capital	\$ 371,978	\$ (620,050)	\$ 314,757	\$2,865,592	\$(2,806,218)	\$(1,177,729)
Working Capital (Deficit)	\$ (831,197)	\$(1,203,175)	\$(583,125)	\$(897,882)	\$(3,763,474)	\$(957,256)

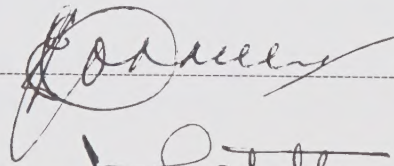
PEMBINA PI

BALANCE

November

(WITH COMPARATIVE)

ASSETS

	1961	1960
Fixed assets, at cost:		
Carrier property and equipment	\$29,219,685	\$27,878,461
Less accumulated depreciation	5,611,096	4,300,555
	23,608,589	23,577,906
Operating oil supply	482,191	482,191
	24,090,780	24,060,097
Investment in shares and advances to wholly-owned subsidiary companies:		
Investment in shares — at cost	23,600	423,100
Advances	22,863	37,697
	46,463	460,797
Current assets:		
Cash	441,528	243,968
Accounts receivable:		
Shippers	555,370	520,027
Others	30,340	14,337
Materials and supplies, at cost	78,236	92,022
Deposits and prepaid expenses	32,183	34,434
Total current assets	1,137,657	904,788
Deferred charges:		
Unamortized discount on funded debt	201,287	233,779
Organization expenses	3,656	3,656
	204,943	237,435
Goodwill and other intangibles less amounts written off	775,890	814,922
Approved on behalf of the Board:		
 Director		
 Director		
	\$26,255,733	\$26,478,039

The accompanying notes form an integral part of this balance sheet.

This is the balance sheet referred to in the report of Peat, Marwick, Main & Co., Chartered Accountants.

30, 1961

(FIGURES FOR 1960)

LIABILITIES

	1961	1960
Funded debt, less current maturities (Note 1)	\$11,936,500	\$13,087,000
Current liabilities:		
Due to bank, demand loan	—	375,000
Accounts payable and accrued charges	228,990	340,539
Interest accrued on funded debt, net	255,649	278,493
Sinking fund payments due within one year, less bonds, debentures and preferred shares held by the company	624,850	602,609
Dividends payable on preferred shares, net	21,254	22,126
Income taxes payable, estimated, less payments	838,111	489,196
Total current liabilities	1,968,854	2,107,963
Deferred taxes on income (Note 2)	2,251,323	2,149,357
Shareholders' equity:		
Capital stock:		
5% cumulative redeemable first preferred shares of a par value of \$50.00 each. Authorized 60,000 shares; issued 40,000 shares	2,000,000	2,000,000
Less shares redeemed — 1961 4,500 shares; 1960 3,000 shares	225,000	150,000
	1,775,000	1,850,000
Less sinking fund payment due within one year	75,000	75,000
	1,700,000	1,775,000
Common shares of a par value of \$1.25 each. Authorized 4,000,000 shares; issued — 1961 1,608,932 shares; 1960 1,600,572 shares (Note 4)	2,011,165	2,000,715
	3,711,165	3,775,715
Capital redemption reserve fund	225,000	150,000
Paid-in surplus	70,835	5,285
Retained earnings (Note 5)	6,092,056	5,202,719
	10,099,056	9,133,719
	<u>\$26,255,733</u>	<u>\$26,478,039</u>

Statement of Earnings

Year ended November 30, 1961

(WITH COMPARATIVE FIGURES FOR 1960)

	1961	1960
Revenue from pipe line operations	\$6,730,857	\$5,974,488
Expenses:		
Operating	1,805,024	1,499,894
Directors' fees	4,800	4,750
Depreciation and amortization	1,398,997	1,205,887
	<u>3,208,821</u>	<u>2,710,531</u>
Net earnings from operations	3,522,036	3,263,957
Miscellaneous charges, net:		
Interest on funded debt	629,952	682,746
Amortization of discount on funded debt	32,412	32,350
	<u>662,364</u>	<u>715,096</u>
Deduct profit on sinking fund operations	45,705	58,649
	<u>616,659</u>	<u>656,447</u>
Net earnings before taxes on income	2,905,377	2,607,510
Taxes on income:		
Current year	1,351,882	1,084,621
Future years (Note 2)	101,966	198,735
	<u>1,453,848</u>	<u>1,283,356</u>
Net earnings	<u>\$1,451,529</u>	<u>\$1,324,154</u>

Statement of Retained Earnings

Year ended November 30, 1961

Balance at November 30, 1960	\$5,202,719
Add net earnings year ended November 30, 1961	<u>1,451,529</u>
	6,654,248
Deduct:	
Dividend paid on 5% cumulative redeemable first preferred shares	\$ 86,692
Transfer to capital redemption reserve fund	75,000
Write off of cost of shares in subsidiary company	<u>400,500</u>
Balance at November 30, 1961	<u>\$6,092,056</u>

The accompanying notes form an integral part of the financial statements.

Statement of Capital Redemption Reserve Fund

Year ended November 30, 1961

Balance at November 30, 1960	\$ 150,000
Add transfer from retained earnings re redemption of preferred shares	75,000
Balance at November 30, 1961	<u>\$ 225,000</u>

Statement of Paid-in Surplus

Year ended November 30, 1961

Balance at November 30, 1960	\$ 5,285
Add excess of par value of 6% convertible sinking fund debentures converted over par value of common shares issued (Note 4)	65,550
Balance at November 30, 1961	<u>\$ 70,835</u>

The accompanying notes form an integral part of the financial statements.

STATEMENT IN ACCORDANCE WITH SECTION 122(6) OF THE COMPANIES ACT (ALBERTA)

The company's active subsidiaries had a loss during the current year as follows:

One subsidiary company has minor assets and liabilities. Its operations from inception to November 30, 1961 resulted in retained earnings of \$9,184 (after deducting a loss of \$12,309 for the current year) which have not been reflected in the accounts of the parent company.

One subsidiary company has substantially no assets or liabilities and during the year wrote off deferred expenses of \$400,500 which were incurred in a prior year; this has been reflected in the accounts of the parent company by writing off the cost of the shares of the subsidiary company by a charge of \$400,500 to retained earnings.

 Director

 Director

Notes to Financial Statements

November 30, 1961

	1961	1960
1. Funded debt:		
First mortgage bonds:		
4¼% serial bonds, series "A":		
Authorized and issued (maturing as to \$400,000 on December 1, in each year)	\$ 3,500,000	\$ 3,500,000
Less redeemed and cancelled	1,500,000	1,100,000
	<u>2,000,000</u>	<u>2,400,000</u>
4¾% 17-year bonds, series "A", due December 1, 1971:		
Authorized and issued	4,000,000	4,000,000
Less redeemed and cancelled	916,000	741,000
	<u>3,084,000</u>	<u>3,259,000</u>
4½% bonds, series "B", due October 1, 1973:		
Authorized and issued	3,125,000	3,125,000
Less redeemed and cancelled	873,000	685,000
	<u>2,252,000</u>	<u>2,440,000</u>
6% bonds, series "C", due December 1, 1974:		
Authorized and issued	2,400,000	2,400,000
Less redeemed and cancelled	284,000	142,000
	<u>2,116,000</u>	<u>2,258,000</u>
	<u>9,452,000</u>	<u>10,357,000</u>
Debentures:		
5% sinking fund debentures, series "A", due December 1, 1972:		
Authorized and issued	2,000,000	2,000,000
Less redeemed and cancelled	365,500	289,000
	<u>1,634,500</u>	<u>1,711,000</u>
5% convertible sinking fund debentures, series "B", due October 1, 1974 (conversion privilege expired October 1, 1960):		
Authorized and issued	1,400,000	1,400,000
Less converted into common stock and redeemed and cancelled	119,000	53,000
	<u>1,281,000</u>	<u>1,347,000</u>
6% convertible sinking fund debentures, series "C", due December 1, 1975 (Note 4):		
Authorized and issued	720,000	720,000
Less converted into common stock	78,000	2,000
	<u>642,000</u>	<u>718,000</u>
	<u>3,557,500</u>	<u>3,776,000</u>
Total funded debt	13,009,500	14,133,000
Less sinking fund payments due within one year	1,073,000	1,046,000
Funded debt less current maturities	<u>\$11,936,500</u>	<u>\$13,087,000</u>
2. In accordance with certain regulations under the Income Tax Act the company is permitted to claim depreciation at maximum rates for tax purposes without charging such depreciation in its accounts. Accordingly temporary tax savings of \$2,251,323 have been effected (of which \$101,966 is applicable to the current year) and have been treated in the accounts as a charge against earnings and a credit to deferred taxes on income.		
3. The company may at its option redeem the whole or any part of the 5% cumulative redeemable first preferred shares on not less than 30 days' notice at par value plus a premium of 4¼% to December 1, 1962 and thereafter at a reducing premium to December 1, 1972, after which no premium is payable upon redemption.		
4. The 6% convertible sinking fund debentures, series "C", carry a conversion privilege exercisable on or before December 1, 1965 entitling the holders thereof to exchange each \$500 principal amount of said debentures for 55 common shares of the company. During the year ended November 30, 1961 debentures having a par value of \$76,000 were exchanged for 8,360 common shares. The proceeds were credited in the amount of \$10,450 to capital stock and \$65,550 to paid-in surplus.		
5. The trust deeds securing the first mortgage bonds and the debentures place certain restrictions upon the payment of dividends on the common shares of the company and upon the redemption or repayment of any capital stock.		

PEAT, MARWICK, MITCHELL & CO.

CHARTERED ACCOUNTANTS

ROOM 508
309 EIGHTH AVENUE WEST
CALGARY, ALBERTA

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Pembina Pipe Line Ltd. as of November 30, 1961 and the statements of earnings, retained earnings, capital redemption reserve fund and paid-in surplus for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

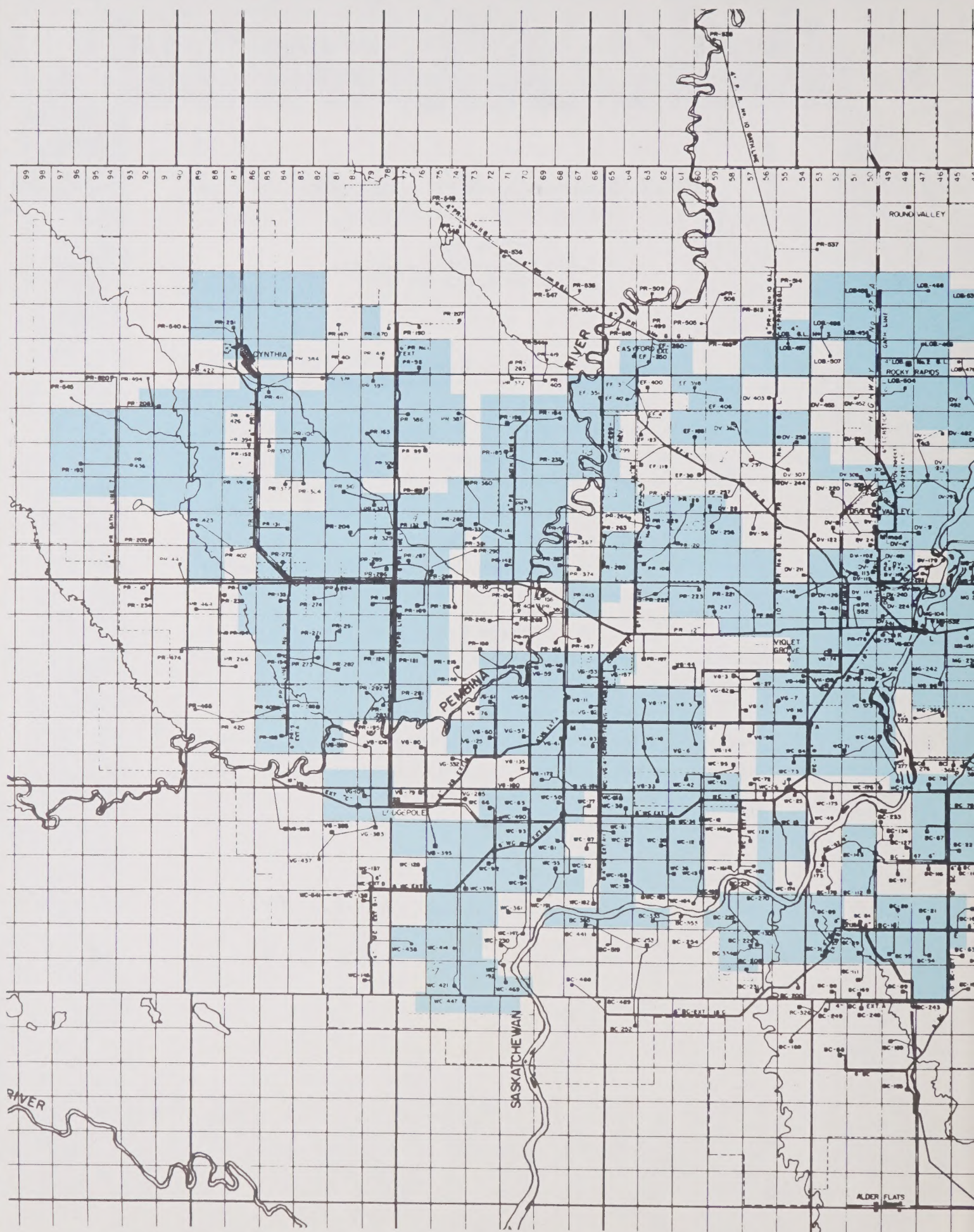
In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the company, the accompanying balance sheet and statements of earnings, retained earnings, capital redemption reserve fund and paid-in surplus are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company at November 30, 1961 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

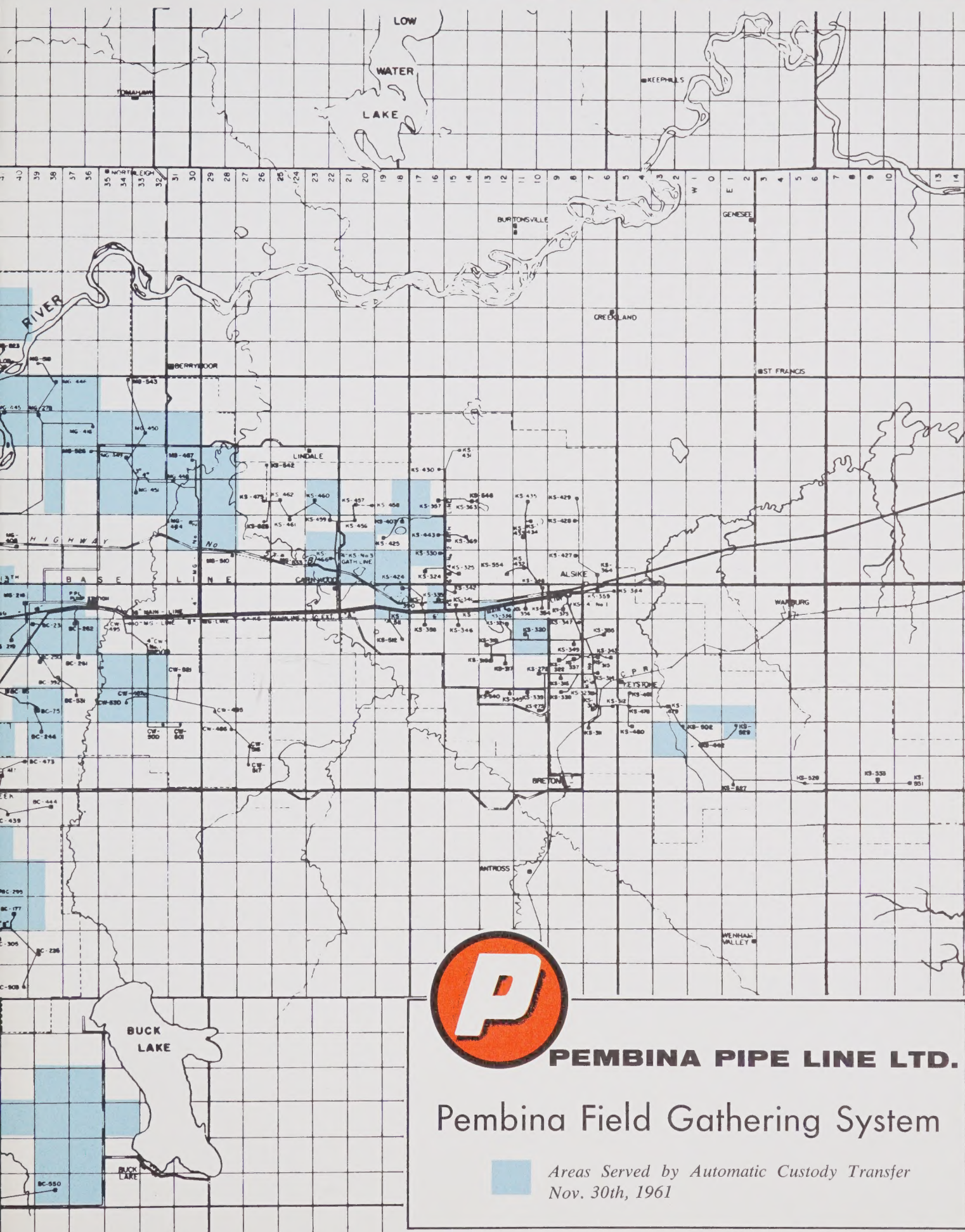
Peat, Marwick, Mitchell & Co.

CHARTERED ACCOUNTANTS

Calgary, Alberta

January 4, 1962





PEMBINA PIPE LINE LTD.

Pembina Field Gathering System

Areas Served by Automatic Custody Transfer
Nov. 30th, 1961

